We mentioned that "The Intelligent Investor" is considered one of the sacred texts of the investment world. Could "The Intelligent Investor," written by Benjamin Graham, also be the best book of all time for those who want to invest from an Islamic perspective? Is there an intersection between the principles of Islamic finance and the universal investment principles presented in the book?

"The Intelligent Investor" teaches the philosophy of "value investing." Stocks are not speculative instruments; they are treated as ownership stakes in a business. The goal is to focus on intrinsic value, remain unaffected by fluctuations, and maintain a "margin of safety." In Islamic finance, the concepts of "prudent" and "discerning" commerce hold a significant place. The book's fundamental teachings are principles that every Muslim investor should adopt.

The framework presented by "The Intelligent Investor" is not sufficient on its own. The book does not offer a moral or religious filter. Islamic finance, on the other hand, includes a set of strict rules and principles. Here are the areas where "The Intelligent Investor" falls short:

Halal Fields of Activity

This is the first and most important step in Islamic investing. The field of activity of the company to be invested in must be halal. You cannot invest in companies operating in sectors such as interest-based banking, alcoholic beverages, pork products, gambling,

tobacco, and the weapons industry. "The Intelligent Investor" does not make sectoral distinctions; it operates based on financial data.

Screening by Financial Ratios

Even if a company's field of activity is halal, its financial structure must also comply with Islamic principles. Within the framework of internationally accepted Islamic finance standards (AAOIFI):

- It is a common practice that the ratio of a company's interest-bearing debt to its total assets should not exceed 33%. This is not a strict AAOIFI standard; we can call it a practical upper limit. Graham warns against indebtedness but does not set a clear and strict rule.
- Including AAOIFI standards, the ratio of a company's non-permissible (haram) income to its total revenue should not exceed 5%. The main source of income must be halal.
- The ratio of a company's cash, deposits, and interest-bearing securities to its total assets being below 33% is also used to demonstrate that the company is not dependent on interest income.

Tat-hir (Purification)

A company may inevitably have income from sources like interest (even if in a very small amount). Islamic investors donate such doubtful income. We can define this as "purification," and it is outside the scope of "The Intelligent Investor."

Fundamentally the Intelligent Investor?

From an Islamic perspective, "The Intelligent Investor" is not the best book on investing of all time. It is, however, a very good starting point. Benjamin Graham possesses the qualities that every Muslim investor should have.

If you have Islamic sensitivities, you can apply the fundamental principles by combining them with the rules.